

## Message Text

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ACTION TRSE-00

INFO OCT-01 EA-07 NEA-10 ISO-00 SP-02 AID-05 EB-07 NSC-05

CIEP-01 SS-15 STR-04 OMB-01 CEA-01 CIAE-00 COME-00

FRB-03 INR-07 NSAE-00 USIA-06 XMB-02 OPIC-03 LAB-04

SIL-01 L-03 H-02 IO-10 PA-01 PRS-01 /102 W

----- 109733

R 030852Z OCT 75

FM AMEMBASSY MANILA

TO SECSTATE WASHDC 8179

INFO AMEMBASSY KATHMANDU

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E. O. 11652: ADS, DECLAS 10/3/76

TAGS: EAID, EFIN, NP

SUBJECT: PROPOSED ADB SUPPLEMENTARY LOAN AND TECHNICAL ASSISTANCE  
FOR JUTE DEVELOPMENT PROJECT (NEPAL)

USADB

FOR NAC AGENCIES

REF: A) TREASURY 75-151; B) MANILA 12289

1. BOARD OF DIRECTORS IN MEETING OCTOBER 2 APPROVED  
\$530,500 SUPPLEMENTARY LOAN FROM SPECIAL FUNDS AND TECHNICAL  
ASSISTANCE GRANT OF \$90,000 TO NEPAL GOVT FOR JUTE DEVELOP-  
MENT PROJECT. PRESS RELEASE BEING POUCHED. U.S. ALTERNATE  
DIRECTOR SUPPORTED TECHNICAL ASSISTANCE GRANT AND OPPOSED  
LOAN ALONG LINES OF REF A AND ALSO TOOK THIS OPPORTUNITY  
TO REVIEW GENERAL U.S. POSITION ON COST OVERRUNS, IN PART  
TO ACQUAINT NEW DIRECTORS WITH U.S. VIEWS. NO DIRECTOR  
SUPPORTED GENERAL U.S. POSITION ON COST OVERRUN OR U.S.  
OPPOSITION TO THIS LOAN. HOWEVER, FOUR DIRECTORS DID NOT  
OPPOSE U.S. VIEW. U.S. STATEMENT WAS LATER REQUESTED  
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FOR INCLUSION IN MINUTES.

2. ADB PRESIDENT SAID HE DID NOT AGREE WITH U.S. VIEWS ON COST OVERRUNS AND HOPED THAT OTHER DIRECTORS WOULD AGREE WITH HIM. PRESIDENT EXPLAINED THAT COST OVERRUNS OCCURRED IN PROJECTS APPROVED BEFORE IMPACT OF OIL PRICE INCREASES AND THAT ADB NOT FINANCING ALL COST OVERRUNS. BANGLADESH DIRECTOR SAID HE STRONGLY OPPOSED GENERAL U.S. POSITION ON COST OVERRUNS BUT AGREED ON ONE POINT MADE BY U.S. TO IMPROVE BANK PROJECT COST ESTIMATION. LAOS DIRECTOR ALSO STRONGLY OPPOSED U.S. VIEWS ON COST OVERRUN LOANS. HE SAID ALTERNATIVE SOURCES OF FINANCING ARE NOT AVAILABLE IN CURRENT INTERNATIONAL CAPITAL MARKET. AUSTRALIAN DIRECTOR STATED HE STRONGLY SUPPORTED ADB MANAGEMENT ON COST OVERRUN LENDING AND SAID THAT THE JUTE PROJECT CONFORMED TO AGREED GUIDELINES ON COST OVERRUNS. INDONESIAN DIRECTOR SUPPORTED PRESIDENT ON COST OVERRUN LENDING POLICY. HE SAID NEPAL SHOULD BE GIVEN EXCEPTIONAL CONSIDERATION BECAUSE IT IS ONE OF LEAST DEVELOPED. HE SAID IT WAS EXTREMELY DISCOURAGING TO LEARN U.S. OPPOSES THIS LOAN TO NEPAL.

3. PHILIPPINE DIRECTOR SUPPORTED PRESIDENT OPPOSITION TO U.S. VIEWS ON COST OVERRUN LOANS BUT ASKED IF BANK IS CONSIDERING IMPROVING ESTIMATION OF PROJECT COST BY EXTENDING AN ENGINEERING LOAN SEPARATELY AND BEFORE A PROJECT LOAN. ADB PRESIDENT SAID CAREFUL PROJECT COST ESTIMATION IS NECESSARY IN CURRENT INFLATIONARY CONDITIONS BUT THAT ADB ADMINISTRATIVE COSTS WOULD BE DOUBLED BY A TWO LOAN PROCEDURE FOR EACH PROJECT. HE FELT AN ENGINEERING LOAN MIGHT APPLY TO LARGER PROJECT. PRESIDENT SAID ANOTHER METHOD IS TO ADOPT IBRD RETROACTIVE FINANCING TECHNIQUE WHICH ADB STAFF IS STUDYING.

4. GERMAN DIRECTOR DID NOT REFER TO COST OVERUN ISSUE BUT FOCUSED REMARKS ON REASONS FOR EXTRAORDINARY DELAYS IN PROJECT IMPELMENTATION AND CAPACITY OF GOVT TO COPE WITH NEW PROJECTS. KOREAN DIRECTOR STATED THAT COST OVERRUN LOANS NEED LIMITED OFFICIAL USE

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TO BE CAREFULLY CONSIDERED ON CASE BY CASE BASIS. HE URGED ADB MANAGEMENT AND STAFF TO IESENT AN OVERALL REVIEW OF THE COUNTRY LENDING PROGRAM INCLUDING COST OVERRUN LOANS AND LOCAL COST FINANCING SO THAT A PARTICULAR LOAN COULD BE CONSIDERED IN CONTEXT. THE KOREAN DIRECTOR FOCUSED ON EXESSIVE DELAYS IN PROJECT IMPLEMENTATION AND WONDERED WHETHER MORE DETAILED GUIDELINES COULD BE ESTABLISHED TO

ASSIST NEPAL AUTHORITIES TO MEET PROJECT SHCEDULE.

5. NEW ALTERNATE DIRECTOR FROM NETHERLANDS AND  
JAPANESE DIRECTOR DID NOT COMMENT ON THIS LOAN.  
SULLIVAN

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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** JUTE, BANK LOANS, PROGRAMS (PROJECTS)  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 03 OCT 1975  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** RowellE0  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
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**Document Source:** CORE  
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**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
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**Office:** ACTION TRSE  
**Original Classification:** LIMITED OFFICIAL USE  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
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**Previous Classification:** LIMITED OFFICIAL USE  
**Previous Handling Restrictions:** n/a  
**Reference:** 75 MANILA 12289  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** RowellE0  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 23 JUL 2003  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <23 JUL 2003 by CunninFX>; APPROVED <20 NOV 2003 by RowellE0>  
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**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** PROPOSED ADB SUPPLEMENTARY LOAN AND TECHNICAL ASSISTANCE FOR JUTE DEVELOPMENT PROJECT (NEPAL)  
**TAGS:** EAID, EFIN, NP, ADB  
**To:** STATE  
**Type:** TE  
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